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Congress of the United States
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IN EUROPE (U.S. HELSINKI COMMISSION)

September 11, 2020

Mr. Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220

Dear Secretary Mnuchin,

I read with great interest a recent article in *Politico* related to the Department of Justice and Internal Revenue Services' handling of coronavirus-related loan fraud.¹ According to the article, the DOJ has already opened "several hundred" investigations and has brought more than 40 cases involving false applications for more than \$170 million. Congress appropriated hundreds of billions of dollars to support small businesses struggling to survive the economic crisis, and it is appalling that so many individuals were able to game the system and divert desperately needed funds from struggling small businesses for personal gain.

On September 1, 2020, the House Select Subcommittee on the Coronavirus Crisis released a report detailing that tens of thousands of coronavirus-relief loans issued could be subject to fraud, waste, or

¹ Mejrdoch, Kellie, "DOJ investigation 'several hundred' small business loan fraud cases," *Politico*, <https://www.politico.com/news/2020/09/10/doj-small-business-loan-fraud-411811>

abuse.² Particularly concerning, the Select Subcommittee staff identified 10,856 loans in which the same borrower received multiple loans, for a total of over \$1 billion in outstanding loans. Additionally, the Select Subcommittee staff identified that more than 600 loans, totaling over \$96 million, went to companies excluded from doing business with the government; more than 350 loans worth \$195 million went to government contractors with significant performance and integrity issues; and more than \$2.98 billion in loans went to 11,000 borrowers who raised red flags in the federal government's System for Award Management (SAM) database. Even worse, this does not consider the "larger-scale criminal rings" that the DOJ identified as a serious concern.

As you'll recall, in July, you testified before the House Small Business Committee and suggested that blanket forgiveness be given to all smaller businesses who received PPP loans without verifying how the funds were used.³ With widespread fraud and abuse already identified, I find this approach very concerning. The DOJ and IRS have already identified instances of fraud in these programs, and we must remain diligent to ensure the resources Congress allocated reach those for whom they were intended. Even if just a tiny proportion of the total loans were fraudulent, in a program of that size, that could equate to billions of dollars in losses for the taxpayers. The American people must have confidence these extraordinary federal measures are being administered fairly.

Considering this apparent and already evident fraud, is it still your position that the financial recovery funds should be automatically forgiven and treated as grants without verification of compliance with the terms and conditions established for program? If so, could you explain your rationale for not enforcing compliance and why it is acceptable for the American taxpayer to be defrauded of billions of dollars? I would greatly appreciate a response to these questions within ten business days.

Thank you for your prompt attention to this important issue. Should you have any questions regarding these requests, please contact Alex Schnelle in my office at alex.schnelle@mail.house.gov or 202-225-3265.

As Always, I remain,

Most sincerely,



Steve Cohen
Member of Congress

² Majority Staff, "Preliminary Analysis of Paycheck Protection Program Data," Select Subcommittee on the Coronavirus Crisis, <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-09-01.PPP%20Interim%20Report.pdf>

³ Reuters, "Not all PPP loans need to be verified, suggests Treasury Secretary Mnuchin," NBC News, <https://www.nbcnews.com/business/economy/not-all-ppp-loans-need-be-verified-suggests-treasury-secretary-n1234233>